Headline Series

Can Europe Unite?

Vera Micheles Dean

J. K. Galbraith

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America and Western Europe

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Europe's Efforts to Unite

by Vera Micheles Dean

SPEAKING IN A PROPHETIC vein, the French poet Victor Hugo said in 1849:

> A day will come when you, France—you, Russia—you, Italy—you, England—you, Germany—all of you, nations of the continent, will, without losing your distinctive qualities and your glorious individuality, be blended into a superior unity and constitute a European fraternity, just as Normandy, Brittany, Burgundy, Lorraine, have been blended into France . . . A day will come when bullets and bombshells will be replaced by votes, by the universal suffrage of nations, by the venerable arbitration of a great sovereign senate, which will be to Europe what the Parliament is to England, what the Diet is to Germany, what the Legislative Assembly is to France.

And Alfred Tennyson, looking beyond the confines of Europe, envisioned in *Locksley Hall* a time when "the wardrum throbb'd no longer, and the battle-flags were furl'd in the Parliament of Man, the Federation of the World."

The Ever-Present Dream—

Today, as the shadows of another and more disastrous war gather over us, statesmen are returning to this dream of Hugo and Tennyson. A growing demand is voiced in the United States for unification or, to use the current phrase, "integration"—not

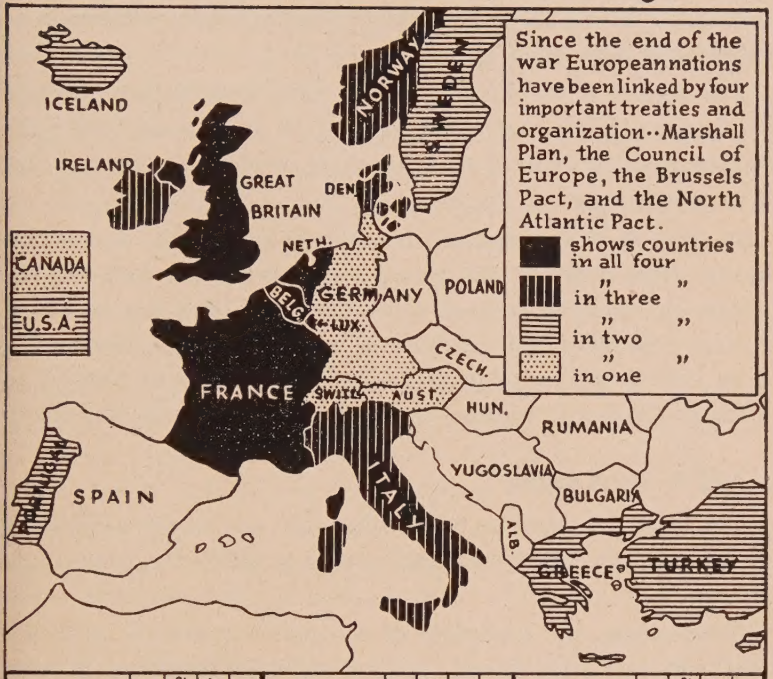
of Europe as a whole but of the Western European nations to which we are giving economic and military aid under the Marshall Plan and the North Atlantic pact. So urgent and persistent is this demand that it might be described as an appeal to Europe to "integrate or die."

In our grim awareness of Europe's pressing need for concerted effort many of us are apt to forget that the problem of European peoples is not so much to unite as to reunite after having fallen apart into national fragments. For long periods of time in its tumultuous history Europe was united—under the Roman Empire; in the Middle Ages when the continent was knit together by a common faith, by the widespread use of Latin and by the political power of the Catholic Church; and in the days of the Holy Roman Empire. Even after nation-states had emerged, a common heritage of culture during the Renaissance and a common fund of ideas in the period of the Enlightenment made Europe far more "one world" than it is today.

But nationalism, fanned by democratic ideas of liberty and equality of the French revolution, crossed the continent like wildfire in the nineteenth century. National sentiment gave rise to the demand for national self-determination in the twentieth century. The European community—once divided into a few great empires, French, German, Austro-Hungarian, Russian—was split into smaller and smaller fragments. Some of the nations which succeeded in achieving independence did not number more than two million people and, in their weakness, became easy prey to the pressures first of Nazi Germany and then Communist Russia.

Nor is it possible today to speak of Europe as if it were a single community which, however broken up by boundaries and tariffs, still shares a common heritage of tradition. For the continent is now clearly seen to consist of two Europes. The first is the Europe of the West which was shaped by the concepts of Roman law, by the Catholic Church, by the Reformation

New ties that bind Europeans together



Country and Population	Marshall Plan	Council of Europe	Brussels Treaty	N. Atlantic Pact
AUSTRIA (Pop. 7 million)	●			
BELGIUM (pop. 8.5 million	●	●	●	●
DENMARK (pop. 4 million)	●	●		●
IRELAND (pop. 3 million	●	●		●
FRANCE (41 million)	●	●	●	●
W. GERMANY (45 million)	●			
GREECE (7.7 million)	●	●		

Country and Population	Marshall Plan	Council of Europe	Brussels Treaty	N. Atlantic Pact
ICELAND (0.1 million)	●			●
ITALY (46 million)	●	●		●
LUXEMB'G (0.3 million)	●	●	●	●
NETHERL'DS (9.5 million)	●	●	●	●
NORWAY (3.3 million)	●	●		●
PORTUGAL (8 million)	●			●
SWEDEN (6.7 million)	●	●		

Country and Population	Marshall Plan	Council of Europe	Brussels Treaty	N. Atlantic Pact
SWITZER'D (4.5 million)	●			
TURKEY (19 million)	●	●		
G. BRITAIN (50 million)	●	●	●	●
CANADA (13 million)				●
U.S.A. (150 million)	●			●

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and the Renaissance, by the French Revolution, by the Industrial Revolution and the social movements of the nineteenth century. This is a Europe to which Germany seems sometimes to belong and sometimes not.

The second is the Europe of the East, only slightly affected by the great forces that moulded Western civilization, still bearing the imprint of Byzantine autocracy of church and state and of repeated invasions from Asia.

In spite of these contrasts, not always sufficiently understood in the United States, Europeans themselves have pursued the bright but ever-elusive goal of unity—a goal that has beckoned leaders from Henri IV of France to Alexander I and Metternich, from Aristide Briand, advocate of a United States of Europe, to Winston Churchill, vigorous fighter for the European Movement.

—And the Harsh Reality

What are the obstacles which block the way to the unification of not only the European continent as a whole but even Western Europe?

Nationalism—the sentiment of a common tradition, of sufferings and joys experienced by a people in common, existing even where there is a variety of tongues, as in Belgium and Switzerland, or a variety of religious faiths—remains strong. In fact, it has been greatly strengthened by the wartime resistance movements to German conquest which welded disparate social and economic groups into new national unity. The perpetuation of nationalism strengthens the influence of the concept of sovereignty—the concept that every nation, no matter how small and weak, can and must be free to determine its own political and economic interests, no matter how much they may interfere with those of other nations.

Political sovereignty is reinforced by concern for the preservation of traditional economic assets and traditional ways of doing things. This concern is shared by employers and workers, by

the government and by the consumers—so that the slightest suggestion that this or that branch of production might possibly be abandoned or curtailed to permit more rational production and distribution in a given geographic area is looked upon with suspicion and resentment.

Fear of war, which has not ceased to overshadow Europe since the beginning of this century, adds to these preoccupations. Governments hesitate to reduce the output of food and machinery for fear of being caught short in case of armed conflict. The result is that all nations, instead of trying to mesh their economies into some form of union, seek on the contrary to become as self-sufficient as possible, no matter how great the cost in terms of living standards. Most deep-seated of all is the desire of people in every country—an unthinking, automatic reflex—to remain where they are, close to their friends and families, to "the ashes of their fathers and the altars of their gods," rather than move across even nearby borders to earn a living among strangers whose language they most often do not speak and whose traditions they do not share.

Is America a Good Example?

Americans often wonder why Europeans do not follow our example and form "a more perfect union," free of tariff barriers, of currency restrictions, of bars to immigration. Comparisons between Europe and the United States, however, are often misleading. The inhabitants of the thirteen American colonies which in the eighteenth century revolted against British rule had the inestimable advantage of settling an uncharted continent free of vested interests of any kind except those of the American Indians, which were not allowed to stand in the way. The colonists began by forming a political union where none had existed before, and only then did they develop a common economy in a vast region that was then a wilderness largely unexplored and for a long time unclaimed.

By contrast, the atomized national economies of Western Europe have been in the process of development for centuries, achieving an advanced stage of industrialization in the nineteenth century. Now that they have established many specialized branches of production serviced by considerable investments of capital and by the skills of specially trained workers it is not easy for them to scrap even a part of their production machinery. They are not sure how economic "integration" will work out, and they dread the spectre of even temporary unemployment that would undoubtedly provoke social unrest and might foster extremism of Right or Left.

The slow growth of the American union (which, it must never be forgotten, was not genuinely forged until this country had experienced a bloody civil war between North and South) is one thing; the unification we expect Europe to achieve in a few short years is another. To compare the two is like comparing the natural and relatively painless growth of a young and flexible organism to the process of sharply readjusting an already mature body—a process that one can hardly hope to carry out without considerable breaking of bones and injury to vital organs.

It is perfectly legitimate for Americans to say—and many Europeans agree—that adaptation to new circumstances must be made, no matter how painful the changes may seem, and that, in fact, there is no other alternative except decay resulting in death. But this does not make the decisions required for such a change any less grave and poignant; nor does it alter the harsh realities of the European situation which, for the present time at least, make union of the continent, and even of Western Europe, seem far from attainable.

Union—of Whom?

To begin with, there is no agreement as to which of the nations of Europe should be included in a potential union. Is Britain part of Europe? The British depend on continental Europe for a considerable portion of their imports and find a lucrative market there for their exports. And as the British try more and more to diminish their dependence on United States aid under the Marshall Plan, which is slated to end in 1952, they naturally seek to expand their trade in Europe.

Yet the British depend also for imports, especially of food and certain raw materials, on other members of the British Commonwealth of Nations—notably Canada, Australia and New Zealand—as well as on their overseas colonies. Britain is thus in an ambivalent position economically. It wants to maintain both its ties with Europe, where it faces tariff and currency restrictions, and with the Commonwealth nations where, under the Ottawa agreements of 1932, it enjoys special trading privileges known as "imperial preferences." When pressed to join in making European currencies freely convertible with one another, the British point to their obligations as banker for the sterling area, embracing the Commonwealth (with the exception of Canada), the colonies and certain other countries. They add that this is the largest multilateral trading area in the world and that its abandonment for European integration would produce as many problems as it would solve.

Moreover, Britain, with an economy regulated by strict controls designed to keep imports at an essential minimum and

increase exports as much as possible, is reluctant to link itself too closely to the less controlled economies of some of the other continental countries, for example France and Italy which are faced with the constant threat of instability. Britain has a closer economic affinity for the Scandinavian nations, already associated with the sterling area and practicing the same kind of economic planning, than it has for other parts of the continent. It therefore regards with favor proposals for some form of union with northern Europe.

From the political and strategic point of view Britain prefers not to become involved in the affairs of Europe, which have so often resulted in war. Yet Britain is too close to the continent to remain aloof from its recurring crises. Britain sometimes wistfully wishes it could remain apart from European quarrels. But the British have found it wise, over the centuries, to keep a hand in the continent's turbulent politics. They have endeavored, often with considerable success, to maintain a "balance of power" there, intervening vigorously only when some nation—France under Napoleon or Germany under the Kaiser or under Hitler—attempted to dominate the continent, thereby presenting a direct threat to Britain. Given this tangled skein of circumstances and interests, it is difficult for Britain to become a wholehearted member of a European union; nor do the continental nations count on the undivided, steadfast support of the British.

A Role for Russia

Where does Russia fit in? Russia is obviously part of the European continent and cannot be excluded from it. At the same time it is also part of Asia—and can be rightly described as Eurasia, a blend of two great civilizations, a multinational state spanning two continents and having direct interests in both. We have been aware of Russia here only since 1917, when the Russians, defeated by Imperial Germany, were at the nadir of their strength in modern times. This often causes us

to forget that for at least two centuries before World War I no events of any importance occurred in Europe without the participation of Russia—notably during the Napoleonic wars when the Russians, pursuing the broken armies of France, went as far westward as Paris. At that time Tsar Alexander I became one of the moving spirits in the Congress of Vienna and one of the principal architects of the Holy Alliance, which cast its shadow as far as the Western Hemisphere.

Hitherto, however, Russia, an underdeveloped country both politically and economically as compared with the democratic industrialized nations of Western Europe, had exerted little influence outside the immediate orbit of its neighbors of Eastern Europe and the Balkans. Even before the days of the "cold war" Russia's exports and imports constituted only one per cent of world trade.

After 1917 the Soviet dictatorship seemed no more palatable to the advanced peoples of Europe than the autocracy of the Tsars. The doctrines of communism, however, exercised considerable influence over intellectuals and industrial workers in other European nations. And since Lenin had set up the headquarters of the Third (Communist) International in Moscow in 1919, Russia came to play again an important role during the inter-war years—not as a national state but as the fountainhead and stronghold of world communism. During and after World War II, as Russian nationalism gained the upper hand over communism in the Kremlin's foreign policy, the U.S.S.R. began to exert increasing influence through its military and political power. At the same time it lost ground as the source of Communist influence—a transformation strikingly illustrated by Marshal Tito's defiance of Stalin in 1948.

The Great Divide

The realization that economic and social maladjustments generated by war might bring about communism in European

nations and thereby enhance Russia's power caused the United States in 1947 to offer economic assistance to all countries "west of Asia," an offer which included the U.S.S.R. When Moscow refused American aid and caused its neighbors to do likewise, Washington gradually evolved a program first of economic aid under the Marshall Plan and then in 1949 of military aid under the North Atlantic pact. It was hoped that the European recipients of this aid would prove able to withstand the pressures of Russia and of communism and assist the United States in implementing the policy of "containment." Russia's thrusts in Europe and the counterthrusts of the United States and the Western European nations divided the continent into two segments along what is usually described as the Stettin-Trieste line, running from the Baltic to the Adriatic. Germany, key country of the continent, was thereby also divided into two parts—the West German state established under the sponsorship of the Western powers and the East German state established under the sponsorship of the U.S.S.R.

Not only have political relations between East and West been for the most part cut off by the "iron curtain," but trade has also been dammed up—in part by Russia's demands on its neighbors for raw materials and industrial equipment, which curtail their export potential, in part by the determination of the United States to prevent the export from this country as well as from the recipients of Marshall Plan aid of any goods that might increase Russia's "war potential."

For the time being, consequently, there is little prospect of a European union that would include Russia. Nor would the European nations welcome such a union. The U.S.S.R. with a population of 200 million, only part of whom are of European origin, would, it is feared, come to dominate the continent. Such domination would consolidate communism where it is in power and bring it to power where it is still struggling for existence. Yet attempts to form a union without the participation

of Russia—the kind of union discussed by advocates of the European Movement—is viewed with suspicion by Moscow, especially when the proposed union is backed by American military aid under the North Atlantic Pact. The Kremlin regards these efforts as the prelude to an armed coalition bent on destroying both the "workers' fatherland" and the Russian national state.

Germany Again?

But if Britain is to be only a limited partner and the U.S.S.R. is to be excluded, what is there left with which to build a European union? A glance at the map shows the role Germany might possibly play. Even after the destruction of World War II the Germans would, if united, number approximately 70 million people, as compared with 40 million for France, 42 million for Italy, 24 million for Poland, and so on down to the small units of the Low Countries and Scandinavian nations. With their undeniable technical skills and unquenchable capacity for work, the Germans would be ready to assume leadership of Europe—or exercise hegemony over it, depending on one's point of view. Under these circumstances the dream of the German nationalists, a dream that germinated under the Kaiser and blossomed forth into Hitler's concept of the "master race," might yet be fulfilled —although the fulfillment could conceivably be by peaceful means rather than by war.

But if the European nations do not want to be ruled by the Germans, then they will have to rely on the "New World to redress the balance of the Old." For none of the other nations of the continent are now capable of taking the lead in the unification of Europe. Post-war France had hoped to assume this role by the recovery of its cultural influence, but it lacks the industrial and military power required for modern leadership. Even if joined with Italy in a Franco-Italian union, as hoped by the Italian Foreign Minister Count Carlo Sforza, France could not withstand Russia, act independently of Britain and at the same

time resist a revived German nationalism unless it could count beyond the shadow of a doubt on continuous and undeviating economic and military aid from the United States.

Europe Hopes Not to Choose

But, to add to the difficulties of European unification, most of the European nations, including those which have benefited since the war by American assistance, are increasingly reluctant to make an irrevocable choice between the two new super-powers—the United States and the U.S.S.R. Such a choice, in the opinion of many Europeans, would mean abandonment of many aspects of the continent's centuries-old culture and tradition in favor of the "materialistic" outlook of "Detroit or Moscow."

The possibility of having to choose sides has become an agonizing preoccupation for Europe since the announcement by President Truman in September 1949 that an atomic explosion had occurred in Russia. Thereafter Western Europe could no longer rely on an American monopoly of the atomic bomb which, according to Winston Churchill, had hitherto been the principal deterrent to Russian aggression. Europe's anxiety was greatly enhanced by the knowledge that Washington, early in 1950, had decided to go ahead with the development of the hydrogen bomb, whose use, scientists predicted, would encompass the destruction of the universe.

Faced by these reason-defying prospects, the European nations showed an increasing desire to dissociate themselves as much as possible from the two extra-European super-powers, and to seek such safety as the modern world might offer in the creation of a neutral zone. Should this trend gain momentum, it is not inconceivable that fear of complete destruction might consolidate the continent in resistance to involvement with both the United States and the U.S.S.R. and prove more potent in crystallizing it into a single unit than either economic necessity or political and strategic calculations had been in the past.

Skeleton of Unification

For the time being, however, the anatomy of European unification consists of bare bones which still need to be clothed with the flesh of actuality. This skeleton system consists of three segments—economic, political and military.

OEEC and ECE

The economic segment is the Organization for European Economic Cooperation (OEEC), a loose association formed by the sixteen Marshall Plan countries in 1948 primarily to coordinate their national plans for concerted presentation to the Economic Cooperation Administration (ECA) headed by Paul G. Hoffman, a prominent business man, and headed in Europe by W. Averell Harriman, business man and diplomat. While the United States had hoped that the OEEC might eventually become the nucleus of a close European economic union, the organization has so far been administered by technical experts, many of them men of outstanding ability, but not empowered to take the fundamental high-policy-level political decisions which would be necessary for a thorough-going reorganization of Europe's economy.

Potentially more important than the OEEC, both because of its all-European character and of its methods of operation, is the United Nations Economic Commission for Europe (ECE), which grew out of the UN Temporary Subcommission on Economic Reconstruction of Devastated Areas. This subcommission was created in 1946 when the United Nations Relief and Re-

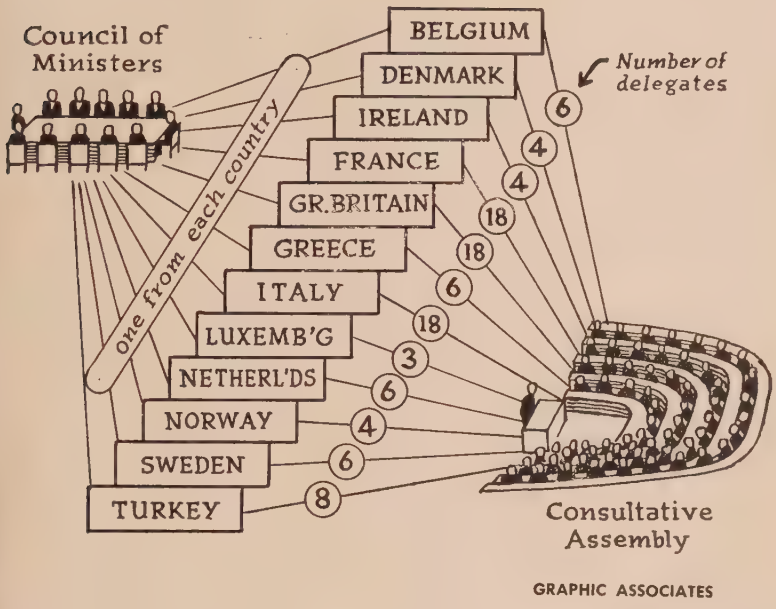
habilitation Administration (UNRRA), which had done yeoman service in helping to revive war-devastated countries, was on the point of being disbanded. Going further back, however, the technical organization of the ECE can be traced to the several cooperative agencies created by the Allies during the war: the European Coal Organization (ECO), the European Central Inland Transport Organization (ECITO) and the Emergency Economic Committee for Europe (EECE).

The ECE has as its executive secretary Gunnar Myrdal, former Swedish Minister of Commerce and a prominent economist and sociologist known in the United States particularly for his monumental work on the Negro problem, *The American Dilemma*. Under his leadership the commission succeeded in maintaining links between East and West even during the critical days of the Berlin blockade, and it has quietly but effectively rewoven many of the broken threads of the inter-European economy. If the time should ever come for integration of the continent as a whole—not only of Western Europe—the ECE would be one of the principal instruments of such integration.

Council of Europe

Economic unification, or even mere cooperation, however, cannot be effectively developed by technicians, no matter how able or devoted to supranational ends, unless there is some measure of political unification permitting the formulation of over-all policies at a governmental level. In this direction Western Europe—let alone Europe as a whole—has so far made little progress. In 1948 five Western European countries—Britain, France, the Netherlands, Belgium and Luxembourg—formed at Brussels a Consultative Council composed of their Foreign Ministers. On January 28, 1949 this group agreed to establish a Council of Europe, whose formation was announced May 5. These steps had been preceded by unofficial meetings at The Hague, where the Congress of Europe had convened in May 1948 and in April

Council of Europe · · · Infant Union?



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1949 under the leadership of Winston Churchill; at Interlaken, where on September 2, 1948 the European Parliamentary Union adopted a charter calling for an assembly which should proceed to establish a federal Europe with sovereign power vested in a bicameral legislature; and in Rome, where the European Union of Federalists, at its second annual conference held from November 6 to 11, 1948, expressed itself in favor of a government for Europe as a step toward final European federation.

The original signatories of the Statute establishing the Council of Europe were the five Brussels nations—plus Norway, Sweden, Denmark, Ireland and Italy. The Statute declares that a member may belong only if it accepts "principles of the rule of law and of enjoyment by all persons within its jurisdiction of human rights and fundamental freedoms." The Council of Europe con-

sists of a Committee of Ministers (corresponding to a cabinet), a Consultative Assembly (corresponding to a Parliament), and a Secretariat. Each state has one representative on the Committee of Ministers. The Committee recommends measures to promote the aims of the Council and requests member governments to report action taken on these recommendations. The Committee, which meets in secret, has no power to enforce decisions.

Strasbourg Meeting

When the Consultative Assembly gathered at Strasbourg, France, which is to be its headquarters, on August 8, 1949 for its first session, Greece and Turkey, as anticipated in the Statute, were invited to join. Following the West German elections on August 14, which resulted in a plurality for the Christian Democrats led by Dr. Konrad Adenauer, Winston Churchill, the most prominent figure at the Assembly, proposed that the admission of the German Federal Republic should be considered at the next session. Early in 1950 the admission of the West German state, as well as of the German area of the Saar, linked in an economic but not a political union with France, was still under discussion.

The Consultative Assembly is at present composed of 101 representatives. Britain, France and Italy each has 18; Turkey, 8; Belgium, Greece, the Netherlands and Sweden, 6 each; Denmark, Ireland and Norway, 4 each; and Luxembourg, 3. (Germany, if and when admitted to the Council, is to have 18 representatives, on a par with Britain, France and Italy.) This apportionment corresponds roughly to the size of the respective countries' populations and offers an interesting possibility for the United Nations, where the one-vote-per-state practice has been adopted. Another suggestive precedent set by the Consultative Assembly was that the seating arrangement was organized alphabetically by individuals and not, as is the custom

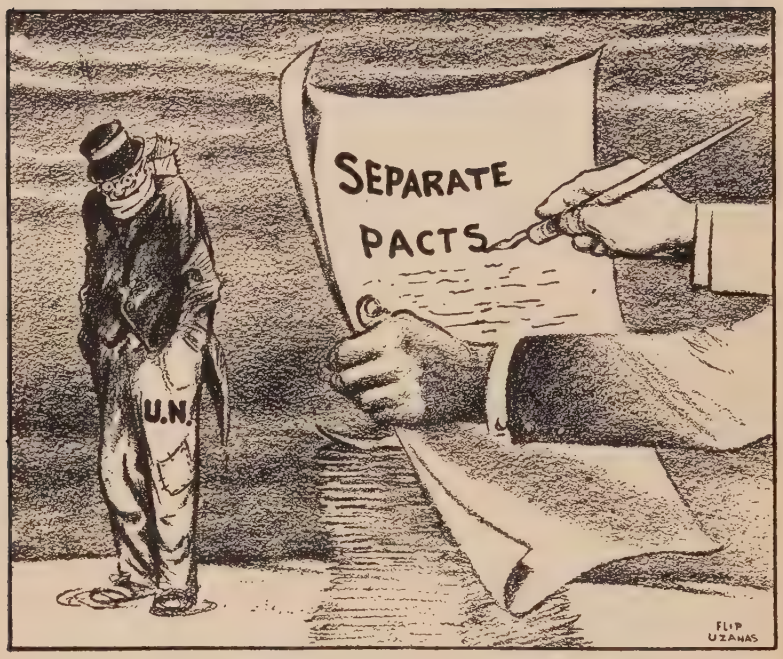
at international gatherings, by national delegations. This arrangement was reported to have played a significant part in mitigating nationalistic friction.

Under the Statute, each participating state decides how its delegation is to be chosen. At the first session Communists were excluded from all delegations. The Labor party representatives in the British group were at moments embarrassed by the acclaim given to the Opposition leader, Winston Churchill, as well as by open clashes on policy between Labor and Conservative spokesmen. Although much criticism has been voiced in Europe about the great-power veto in the United Nations Security Council and its overuse by Russia, the Council of Europe Statute provides that all resolutions of the Consultative Assembly will require a unanimous vote (only a two-thirds vote is required in the UN General Assembly for approval of resolutions). Expressions of the Consultative Assembly's "wishes," however, will go through by a two-thirds vote.

'Limited Functions, Real Powers'

Originally it had been expected that, as provided in the Statute, the Assembly would make its wishes known to the Council of Ministers but that the latter would determine the agenda of the Assembly. The Assembly, with its debates open to the public, was to serve as a sounding board for "the aspirations of the European peoples" while the Committee acted as a steering group. From the outset, however, the Assembly, under the vigorous chairmanship of former Belgian Prime Minister Paul-Henri Spaak, a Socialist, took matters into its own hands. It urged the creation of a European political authority "with limited functions but real powers." It did not go so far as to accept the idea of a European union, but proposed preferential tariff arrangements on the continent, currency convertibility, and negotiations with the United States for American tariff reductions. It discussed the creation of a European economic commission

'TIMES HAVE CHANGED'

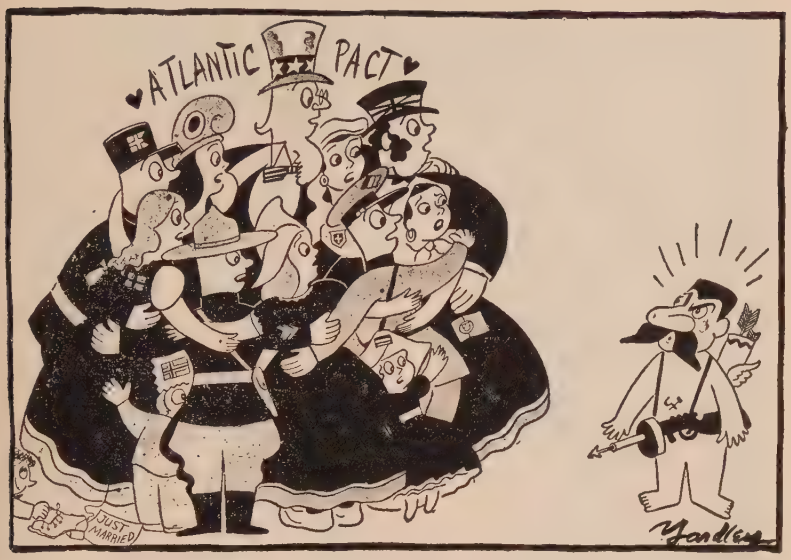


Uzanas in the *Hartford Courant*

which would presumably replace the OEEC. It adopted a code of human rights. Most important of all for its own future, it asserted the right to fix its agenda and to have its own permanent steering committee.

The Council of Europe is to discuss economic, social and cultural matters but not problems of national defense, which are already being handled by the West European Union and the North Atlantic treaty organization. In the words of the London communique of January 1949, there is no question in the Council of Europe "of any military alliance, but rather, as the preamble in the Statute says, of a general desire to achieve peace and bring about a greater unity for the purpose of safeguarding and realizing those ideals which are the common heritage of the members."

'UNINTENTIONAL CUPID'



Yardley in the Baltimore *Sun*

North Atlantic Committee

The third segment of the skeleton of unification is the structure of the North Atlantic pact security system. The nucleus of this system was the military mutual assistance pact signed in Brussels on March 17, 1948, shortly after the Czechoslovak coup, by the Western Union nations—Britain, France, the Netherlands, Belgium and Luxembourg. President Truman associated the United States directly but vaguely with the movement for regional European security in an address to Congress that same day when he said: "This development deserves our full support. I am confident that the United States will, by appropriate means, extend to the free nations the support which the situation requires. I am sure that the determination of the free countries of Europe to protect themselves will be matched by an equal determination on our part to help them to do so."

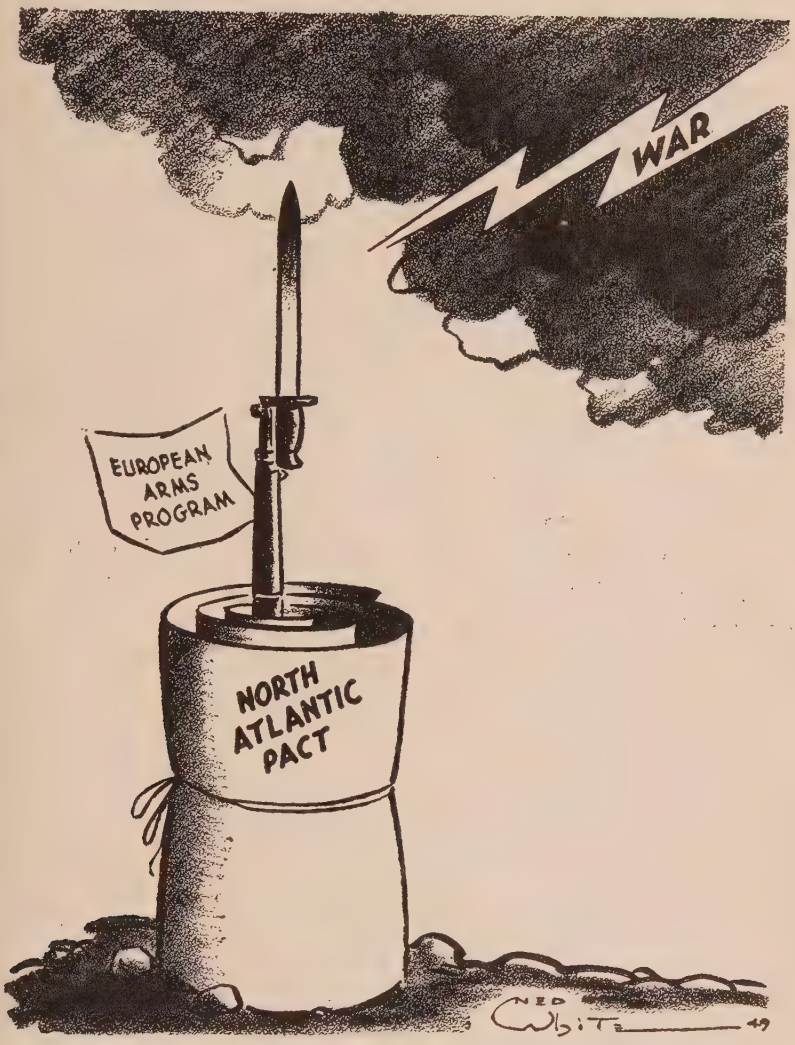
This was followed by the Senate's adoption on June 11, 1948

'PISTOL-PACKING PACT'

Seibel in the *Richmond Times-Dispatch*

of the Vandenberg resolution which expressed approval of the "progressive development of regional and other collective arrangements for individual and collective self-defense in accordance with the purposes, principles and provisions" of the United Nations Charter. The State Department in July 1948 initiated conversations with the Brussels pact nations and Canada to ex-

'LIGHTNING ATTRACTOR?'



White in the *Akron Beacon Journal*

plore the possibilities of further cooperative efforts in the political and security fields. In the same month military representatives of the United States and Canada began to take part in the consultations of the Permanent Military Committee of the Brussels powers. Negotiations for the drafting of a North Atlantic security treaty opened in Washington on December 10, 1948 after the Brussels nations had chosen officers to command the branches of their combined forces, had approved a common defense policy and had set up headquarters at Fontainebleau near Paris.

The Pact's Teeth

The North Atlantic pact, the text of which was published on March 19, 1949 and signed at a solemn ceremony in Washington on April 4, provides in Article 5—its key article—that "the parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all." The treaty, however, does not require any of the signatories to go to war when another is attacked, although they agree to consult when one of them believes its territorial integrity, political independence or security "is threatened."

The signatories undertake to "maintain and develop their individual and collective capacity to resist armed attack"; to report any armed attack "and all measures taken as a result thereof . . . immediately . . . to the Security Council" of the United Nations; to leave to the Security Council "the primary responsibility . . . for the maintenance of international peace and security"; to refrain from entering into "any international engagement in conflict with this treaty." They also agree to establish a council which would consider matters concerning the implementation of the treaty and would establish a subsidiary defense committee to work out a Western strategic plan for countering an armed attack; and to "eliminate conflict in their international economic policies."

The pact is to run for twenty years but the signatories will be free to recommend revisions at the end of ten. The initial signatories were twelve nations on both sides of the Atlantic: the United States, Canada, Britain, France, Belgium, the Netherlands, Luxembourg, Italy, Norway, Denmark, Iceland and Portugal.

The North Atlantic treaty, ratified by the Senate on July 21, 1949 by a vote of 82 to 13, was implemented, after prolonged controversy, by the Mutual Defense Assistance Act which President Truman signed on October 6, 1949. This Act authorized military assistance to foreign countries, principally our North Atlantic partners, to the amount of $1,314,000,000 by June 30, 1950. The President having certified in January, as required by the act, that an "integrated defense" plan had been worked out by the signatories, American armaments, chiefly out of war surplus stocks, began to move across the Atlantic in March.

Defense Coordination

In the summer of 1949 the Brussels pact countries—Britain, France, the Netherlands, Belgium and Luxembourg—had not yet gone beyond the stage of appointing leaders of their armed forces to examine possibilities of military cooperation. Under the chairmanship of Field-Marshal Viscount Montgomery of Britain, the military committee of the Brussels pact countries had set up skeleton agencies for coordination of the three principal armed services—land, sea and air—under the suggestive titles of *Uniterre, Unimer* and *Uniair.* The appointment of Viscount Montgomery to the key position in the Brussels pact military setup had alarmed the French, who feared that Britain's strategic concept might be too close to the pattern set by World War II when the continent was first lost and then liberated by forces using bases in the British Isles.

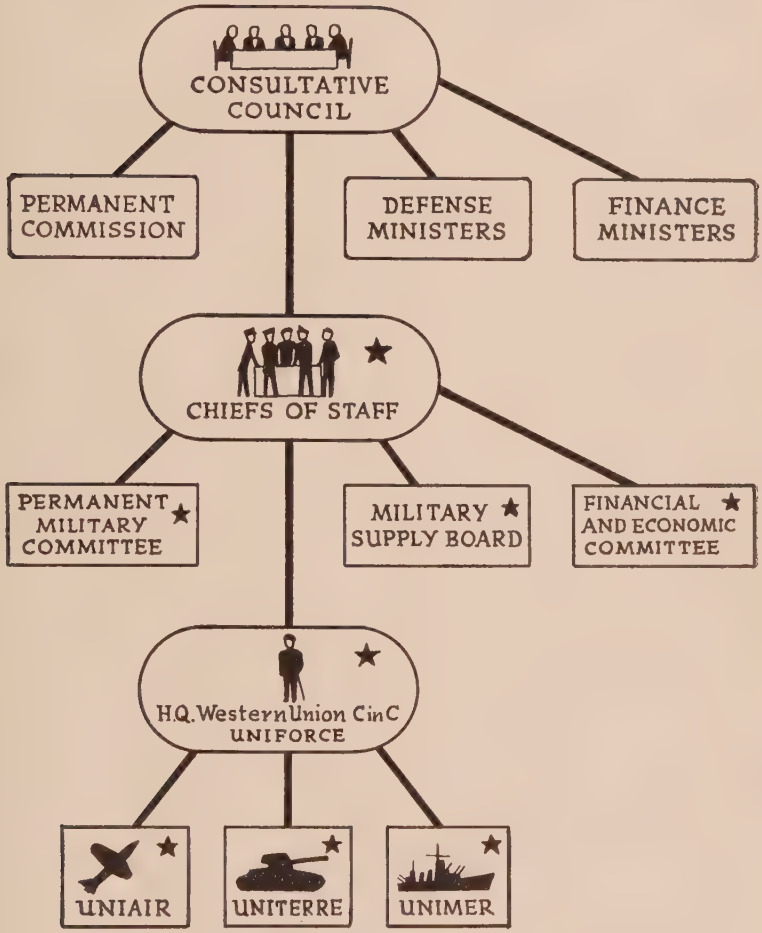
These fears were somewhat allayed by the creation in October 1949, at a Washington conference of the twelve North Atlantic Defense Ministers, of the Defense Committee of the North At-

lantic treaty organization. This Committee, in turn, appointed a Military Committee composed of the Chiefs of Staff of ten of the participating countries (Iceland and Luxembourg elected not to appoint members), under the chairmanship of General Omar N. Bradley, chairman of the United States Joint Chiefs of Staff, who was expected to take the direction of plans for "integrated defense" of the North Atlantic area. The Military Committee is to have a sort of executive committee, the Standing Group—composed of General Bradley, Sir William Morgan, chairman of the British Joint Services Mission, and Lieutenant General Paul Ely of France—which will function continuously in Washington.

Among the first tasks of the Standing Group will be to decide, with the aid of a staff of experts, the frontiers of the area to be defended in case of attack—this promises to be the thorniest question on the agenda—and to assign roles to the participating nations. If defense is to be genuinely "integrated," it will be necessary for each of the nations to concentrate on development of the military functions it is best prepared to perform without seeking to build up for itself ground, sea and air forces according to individual national calculations of defense needs. It is expected that France would be invited to concentrate on ground forces and not undertake a naval construction program, while the United States and Britain, which together command the greatest naval strength in the world, would concentrate on naval and air power. Strategic bombardment would be assigned to this country, which has developed long-range bombers, notably the much disputed B-36. Britain, aided by France, would be charged with perfecting medium or tactical bombing in direct support of ground forces. For the time being this country retains control both of its stockpile of atomic bombs and of the discoveries it has made in the process of manufacturing the bomb since 1947, when the MacMahon Act prohibited the giving of atomic information to other countries. However, Britain and

BRUSSELS TREATY

TO BE INTEGRATED WITH NORTH ATLANTIC PACT MACHINERY



★ U.S. observers

GRAPHIC ASSOCIATES

Canada, our partners in the original discovery of the secret of bomb manufacture, requested in the summer of 1949 the right to share our post-1947 knowledge. They also proposed that we pay a higher price for uranium, which comes from Canada as well as from mines in the Belgian Congo controlled primarily by the British.

The Pact and the Atom

President Truman's announcement in September 1949 that "an atomic explosion" had occurred in the U.S.S.R., although long expected, precipitated reconsideration of the defense strategy that should be adopted by the North Atlantic countries. If the atomic bomb is as decisive a weapon as has been contended by some of our military leaders, then Russia is now in a position to wreak destruction on our Western European allies with no possibility for genuine defense on their part—a prospect that has haunted European statemen since Hiroshima. If this assessment is correct, the strategic concept of building up French ground forces and British naval strength comes under question. What value would the older weapons have if warfare is to be primarily atomic?

However, it is also possible to argue—as Admiral Arthur W. Radford and other of our naval leaders have done—that an atomic blitz is not only technically impracticable but also undesirable from the point of view of over-all policy because it would leave Europe devastated beyond hope of reconstruction and give us, at best, a Pyrrhic victory. In this case, it is suggested that the first step of the North Atlantic powers should be another attempt at international control of atomic energy—or at least an effort to outlaw use of the bomb.

Thus, no sooner had the North Atlantic pact machinery been created than the knowledge that Russia could retaliate against atomic bomb warfare, on which our strategists had placed their

principal reliance, appeared to make it obsolete. And development of the hydrogen bomb became the next step in the armament race.

These various strategic problems were weighed at a conference of the North Atlantic countries' chiefs of staffs at the beginning of April at The Hague. This conference was to approve a detailed defense plan setting forth the first estimates of requirements from each of the twelve countries over a five-year period.

Following this conference it became known that several European military experts believe the United States should maintain a permanent force in Western Europe even after the occupation of Germany ends. American troops, it is argued, would provide on-the-spot leadership for Europe's defense forces. Moreover, it is doubted that the thirty-six divisions which have been set as the North Atlantic pact goal by 1955 can be organized without the recruitment of German troops; and if Germans are armed for participation in European defense, American forces will be needed, so the argument goes, to reassure the French against the possibility of German military dominance.

Questions for United States

In the spring of 1950 the twelve-member North Atlantic group had at its disposal about twenty-two divisions of varying strength and effectiveness, of which only about twelve were thought ready to go into action—as against Russia's estimated potential strength in Europe of 150 divisions. Of the twelve divisions, nine were French—three in the West German State and six in France. Under the circumstances, the contribution the United States would be prepared to make not only in terms of armaments but also in terms of trained men has assumed critical importance.

As Western Europe, the United States and Canada sought to achieve defense coordination, European governments indicated

their concern with two non-military aspects of the defense program. One of these aspects was the capacity of their respective nations to bear the cost of armaments without, at the same time, weakening their economies to the point where a decline in living standards might foster political extremism. The other was the persistent hope that the Atlantic union and such integration as might be achieved by the Marshall Plan nations would be marked by the development of a "community" spirit that would remove from the North Atlantic pact its "too exclusively military character"—to quote French Foreign Minister Robert Schuman.

Speaking at Lyons on April 16, French Premier Georges Bidault urged the formation of an "Atlantic High Council for Peace" which would include representatives of the United States as well as the Western European nations. Such a council, he said, would coordinate economic and military affairs to begin with but would also embrace political affairs subsequently.

European leaders realize the need for union. But they do not believe that union of Western Europe alone is the answer to their problems. If union is to be viable, both politically and economically, it must be broadened to include the United States. When we urge integration of Europe, it is wise for us to bear in mind that before long we ourselves may be invited to consider the pros and cons of integration with European nations—and we should not expect more vision and self-sacrifice on their part than we are ready to contribute on behalf of this country.

America and Western Europe

by J. K. Galbraith

SINCE THE END OF THE Second World War, American foreign policy has been concerned about equally with the Soviet Union and with Western Europe—with a part of the world which has seemed to be embarrassingly vigorous and a part that has appeared to be just the reverse. The two problems are by no means distinct: America's desire for a vigorous Western Europe has been associated with the existence of a disconcertingly ambitious and energetic Russia.

There are other good, even better, reasons for American concern over Western Europe. It is difficult to repeat them without seeming to repeat the justifications of post-war aid programs. Perhaps it is enough to say that Western Europe is a very important part of the world. Much of what is called modern civilization developed there. The individual European has as much freedom to live his life as the citizen of any other part of the world. In their tolerance of nonconformity in ideas and behavior France, Britain and the Scandinavian countries are, without much doubt, the most generous in the world. If Western Europeans have the independence and the wherewithal to live their own lives in their own way, a large and important area of freedom will be kept open for a people who know how to employ it to advantage. This is worthwhile and worth keeping.

An Economic Problem

The problem of Western Europe since the end of the war has been overwhelmingly an economic one. And from one point of view, this economic problem has been rather simple: Western Europe has been unable to make a living. It has not been able to make a living in roughly the same sense that an employed worker of modest income may find it impossible to make ends meet. He can, of course, keep his family alive. But making a living is something more than supplying calories and cubic feet of heated shelter. If he and his family are to be even reasonably happy, there must be clothes for school, money for dentist's bills, something for recreation and possibly also for music lessons. There must also be some hope for improvement in the future.

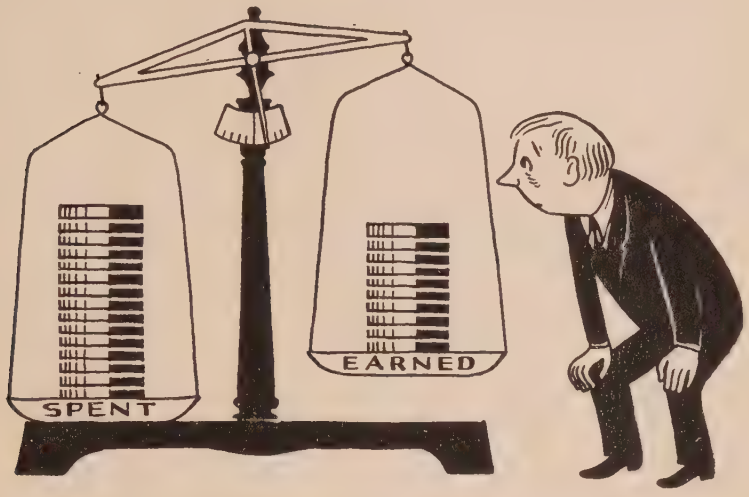
A country is much the same. Its people have a conventional standard of living, the product largely of past experience, which they expect to maintain and hope to improve. That standard may be low or high—but it has to be respected. This is essential for general contentment and political stability. A variety of circumstances, some common to Western Europe as a whole and some peculiar to individual countries, have made it impossible for that community, out of its own resources, to sustain its accustomed standard of living and the hope for raising it.

The Effect of the War

The reasons Western Europe finds itself in this position are not so easily stated. A complete diagnosis would not be quite the same for any two countries. But the most important explanation is the war. Curiously enough, it is one that many have found it easy to forget or ignore.

As Americans who toured Europe in the last summer or two will testify, the more obvious scars of war have now been removed except in Germany. Trains run normally; roads and bridges have been fixed up to the point where motoring is fre-

In the thirties Western European nations spent more than they earned from exports



quently more agreeable than in the United States; the factories, so far as factories are ever observed by any tourist, appear to be in full operation.

Recovery to Date

The statistics confirm this recovery. In nearly all Western European countries, even in Western Germany, total production compares favorably with what it was before the war. In some countries it is far higher. In Britain and Scandinavia industrial production in 1948 was from 20 to 40 per cent above 1938. Since the end of the war it has been quite generally assumed that this increase in output has been achieved only at high cost—that the output per worker is considerably lower than before the war. Recent calculations of the Economic Commission for Europe, an extraordinarily useful agency of the United Nations, suggests that this point may have been exaggerated. In Germany, Italy

and the Netherlands production per man in 1948 was below prewar averages. In the United Kingdom and Sweden it was well above. The relative increase in the latter countries was not so great as in the United States, but the comparison is not too unfavorable. Output per man-year in American industry in 1948 was estimated at 127 per cent of the 1935-38 average; in the United Kingdom it was 115 per cent.

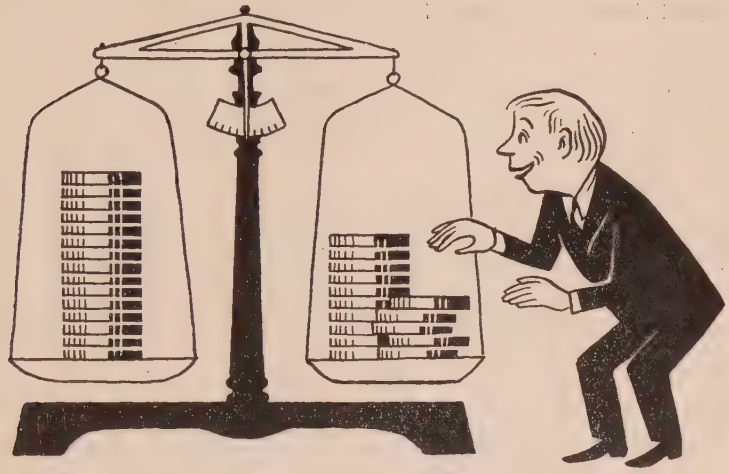
Speaking generally, however, the normal gains in productivity —the gains that help producers compete in foreign markets and provide for improvements in the standard of living at home—have not been realized in Western Europe in the last decade. There are several reasons for this. They include the undermaintenance of industrial plant during the war years, the interruption of the training of skilled workers and technicians, the disorganization and in some cases the actual dispersal of the labor force and management.

War-Inflicted Ills and their Remedy

The relative setback which European industry and agriculture suffered as result of the war is, in some ways, among the more easily remedied of the continent's troubles. Merely to increase production is a problem that modern man solves rather easily. To increase production and at the same time to lower costs is more difficult, and there is likely to be a good deal of debate over what it takes.

Thus in Britain during the last few years there has been a violent dispute over this issue. The chief point of contention has been whether it is possible to raise efficiency and lower costs when jobs are plentiful and profits come easily. Critics of the Labor government have argued, with well-bred vehemence, that until the inefficient worker faces the possibility of unemployment, and the incompetent employer faces the prospect of bankruptcy, costs will not come down. The government has replied that the threat of starvation is not the only thing that makes people work and

But with their gold reserves and income from shipping, tourist trade and investments abroad they could still balance their accounts



that it is not the kind of a motivation it would favor in any case.

But the problem of productivity and costs is not beyond solution. By helping European industry and agriculture to modernize and expand its capital equipment, the Marshall Plan has already laid the foundation for substantial progress.

The More Basic Problems

There are other problems of Western Europe that are a good deal more stubborn. In the nineteenth and early twentieth centuries, when Europe was the great supplier of industrial goods to the world, no one would have questioned its ability to support itself. The world at large was an eager market for European manufactures; the United States was a customer rather than a competitor.

More important, capitalism functioned with an impersonal view of individual welfare. In that world there were few trade

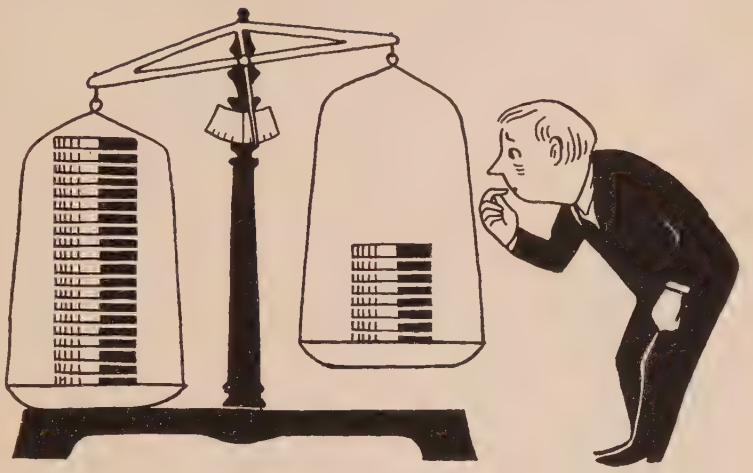
unions able to defend their members effectively from misery, privation or even starvation. No government seriously accepted a similar obligation to the individual citizen. In this paradise lost of those who see nothing but serfdom in modern government, there were no social standards that had to be protected. Accordingly, there was no chance of a discrepancy between what a community produced and what the community as a whole required for living.

In the twenty years between the wars, governments were steadily adding to their responsibilities for individual welfare. Voters, unions and the public consent which even dictators require were all forcing their hand. To a large extent fascism came to power in Italy and Germany on the promise that it would assume responsibility for individual welfare—a welfare that the individual citizen felt was hopelessly beyond his own powers to protect. Meanwhile, the balance between Europe's needs and its capacity for supplying them was becoming exceedingly precarious. In the 1920's American loans helped maintain the balance. When this prop was removed in the early 30's, there was general hardship and distress. Most European countries had to cut down their expenditures abroad. The cut would have been far more serious and the effect on living standards more severe if Europe had not had sizeable reserves of gold and dollars. The spending of these reserves accounted, in part, for the great flow of gold to the United States before the war.

Dwindling Foreign Investments

The position of Europe in these years was considerably relieved by income from its earlier investments abroad. In 1938, for example, Europe as a whole imported $5.5 billion worth of goods, of which $1.2 billions were, in effect, paid for by earnings on investments. In 1948 this investment income amounted to only $500 million, and higher prices had greatly reduced its effective buying power.

At the end of the war the trade deficit was greater than ever



The loss of these earning assets came about in two ways. During the war the United Kingdom collected and either sold or pledged a substantial proportion of the foreign securities owned by British subjects. Since the war, returns on what are called direct investments—British, Dutch or French-owned plantations, mines, banks and trading companies in Malaya, Indonesia, Burma and Indo-China—have been reduced by revolts in these areas. The Dutch, instead of drawing revenues from Indonesia which in the past amounted to from 10 to 16 per cent of their national income, found themselves supporting costly military operations in that area. It was the prospect of retrieving this income, more than anything else, that caused the Dutch to try so strenuously to maintain their stake in Indonesia. The willingness of the Indonesian Republicans to promise protection to Dutch investment greatly facilitated the United Nations' efforts to restore peace to this vital raw-material-producing area.

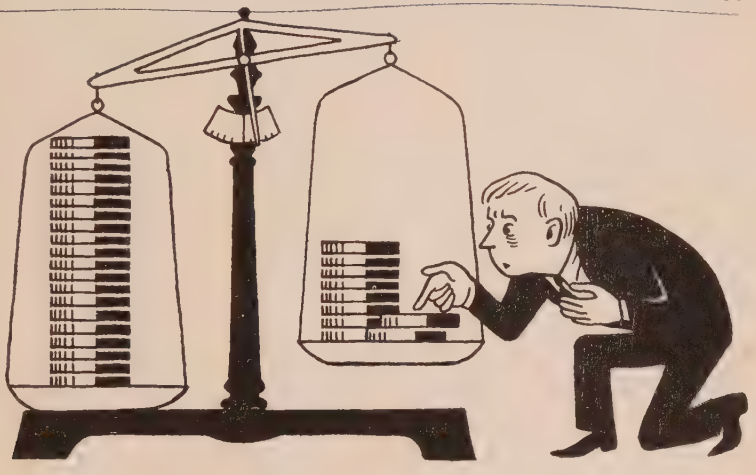
The importance of these investments has also been illustrated by the relatively happy situation of Belgium since the end of the war, a matter that has been the subject of much misunderstanding. It was Belgium's good fortune that under wartime German military administration it had a relatively orderly occupation. The Netherlands suffered from the more refined political cruelties of the Nazis. Belgium also suffered relatively slight physical damage, and its position on the line of communications to Germany at the end of the war made it possible for Belgium to help the Allies and emerge as a creditor in the lend-lease settlements. But Belgium, since the war, has been the only important colonial power which has had no difficulty holding its overseas position. As a result it has continued to receive important revenues from the Belgian Congo.

Not Primarily a Matter of Wisdom

The early post-war recovery of Belgium was the most rapid in Europe. It has been suggested in some circles that this recovery was the result almost entirely of the superior wisdom of the Belgian government in getting rid of its controls promptly. The fact is that the Belgian government was able to drop many of its price, rationing, and other controls at an early stage because the country had the resources with which to buy a liberal supply of goods. A government does not ration things or fix their prices when there is plentiful supply. Any other government in Western Europe, including the British, would have followed about the same policy as the Belgian government had it been able to do so. The Belgians were intelligent, especially in the vigor with which they executed a difficult monetary reform, but the Dutch, the British, and the Scandinavians were probably as intelligent in the light of their particular circumstances.

Differences in fortune, far more than differences in wisdom, explain the differences in the rates at which various European countries have recovered.

They could no longer balance their accounts because their reserves were depleted and their income from other sources had shrunk



The Problem of Markets

THE PROBLEMS just outlined have become familiar to many Americans since the end of the war. They account for the now famous "dollar-gap"—the discrepancy between the value of the goods Western Europe has had to buy from the United States and Canada in order to maintain a tolerable standard of living and the value of what it has been possible to sell to the dollar countries. In 1947 Western Europe (the Marshall Plan countries) had a deficit of $5.7 billions in their trade with the United States; in 1948 this deficit was about $3.5 billions.

Most of the 1948 deficit was covered by gifts, called grants, under the Marshall Plan. Part of the imports which helped to

account for the deficit consisted of machinery and equipment to enable Western Europe to rebuild, modernize, or enlarge its industrial plant. However, imports of food and fuel were more important, although—a point that has sometimes been overlooked—they have had a similar restorative effect. They have enabled Europe to use a larger proportion of manpower and materials in improving its plant rather than providing for current needs.

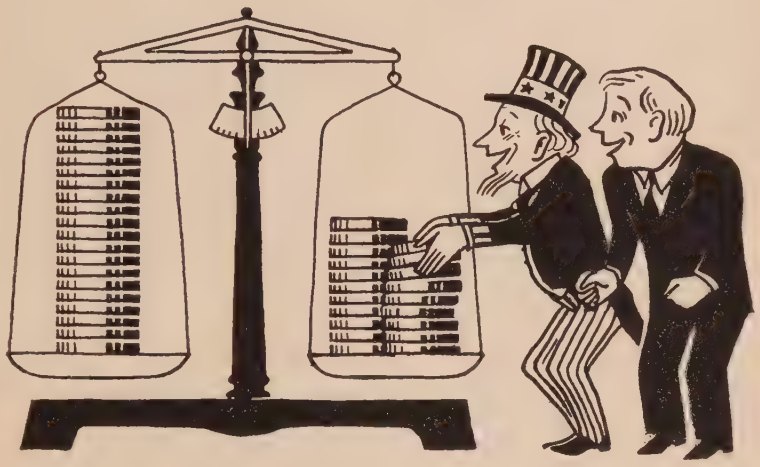
A good part of the energies of the Economic Cooperation Administration, which administers the Marshall Plan, has also been devoted to efforts to promote trade within Europe and measures designed to bring down European production costs. It was hoped that the overall result of this activity would be not only to meet the deficit in the short-run but to eliminate it in the long-run. The year 1952 was set as a deadline when Europe would be self-supporting.

The year 1948, the first year of the Marshall Plan, was a very encouraging one. As compared with 1947, there was a large drop in the deficit. There was some confidence that Western Europe would be self-supporting by 1952. Confidence is no longer so high. The reason is that the economic problems of Western Europe have now entered a new, extremely difficult, and probably quite permanent phase. The problem in this new phase is that of finding markets for what is produced.

The Little Dollar Crisis of 1949

In the spring and early summer of 1949, British exports began to fall at an alarming rate. The British had the goods but could not sell them. Despite further cuts in imports—meaning an even more austere life for Englishmen—exports plus Marshall aid no longer came close to paying for imports. As a result the gold and dollar reserves of Great Britain, and of the other countries for whom it acts as banker, fell rapidly. Some countries on the continent began to experience similar, although less difficult, problems in selling their output. In the immediate post-war

The United States stepped in and helped



years steel was so scarce that it enjoyed a prestige once reserved for gold and silver. But in the summer of 1949 steel production in Belgium fell to 67 per cent and in Luxembourg to 74 per cent of what it had been the previous March. The cause was not a shortage of materials or of labor but of customers.

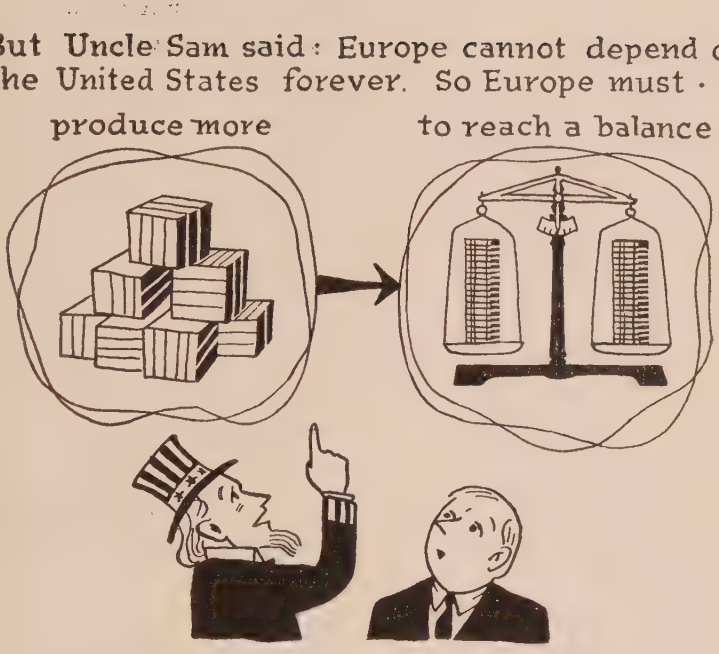
Part of the problem of finding markets is the result of the lower efficiency and higher costs of European production mentioned above. If British machinery is more expensive than American, British producers will obviously have difficulty in selling it in competition with Americans. But cost differences are not the whole story, and in the short run they can be offset by altering the value of European currencies in relation to the dollar. The purpose of the devaluation of the pound sterling (and of other European currencies) in the autumn of 1949 was to lower the price of products in dollars.

A word needs to be said about devaluation. It is not a magic formula which promises a painless solution of a country's export problems as some have been inclined to suppose. The same action that cheapens exports in terms of dollars makes imports that much more expensive in terms of pounds. A pound that exchanges for fewer dollars will buy less wheat, which means that the sterling price of wheat is higher. (Bread prices in Britain went up immediately after the cut in the pound.) If—as the result of higher prices and living costs—wages also rise, then there will be an increase in production costs which will offset some or all of the effects of devaluation in lowering the prices of products sold abroad. If wages do not rise as the result of higher food and other costs, it is because people in general have been willing to take a cut in their standard of living.

Devaluation, in other words, is a backhanded way of cutting a country's standard of living and will be effective only to the extent that it does reduce the standard of living. The problem of Western European self-support, as noted above, is that of maintaining a standard of living which people and governments regard as being at or near the minimum and which is still higher than countries can maintain from their own resources. It follows that the effects of devaluation are likely to be temporary. Sooner or later there will be an irresistible pressure for the restoration of living standards to the levels that people demand.

The Problem of New Markets

However, the problem of Western Europe's markets needs to be viewed on a much larger screen. It is a problem of an area which has been forced, since the end of the war, to find a new set of customers for its products. Before the war there was no economic community called Western Europe. It was Europe as a whole. In some ways this area had a rather well-balanced economy—the various parts of which complemented each other in a reasonably satisfactory way. The western countries—Germany,



France, Scandinavia, the Netherlands, Belgium and Britain—were industrialized. To the east, except in Czechoslovakia, there was little industry. The eastern countries exchanged lumber, cereals, ore, and other raw materials for the manufactured products of western Europe. The importance of this trade to different western European countries varied; it was comparatively small for England but great for Germany.

Since the end of the war, Eastern and Western Europe have been divorced both politically and economically from each other. The separation has occurred along an arbitrary line which is no more logical from an economic viewpoint than a line separating the industrial states of eastern United States from the agricultural states of the west. Trade does go on between Eastern and

Western Europe, and it has gained in volume since 1945. But progress has been slow and irregular; the Economic Commission for Europe estimated that in 1948 the volume of such trade was only about one-third of what it was before the war.

Partition of Germany Aggravates Problem

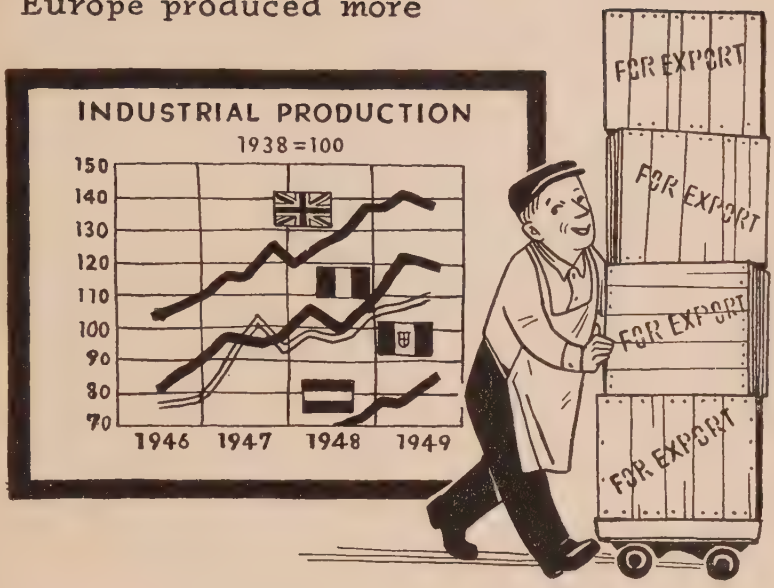
The division of Europe between East and West has been made much deeper by the partition of Germany which was once the main bridge between the two. And it has meant that Western Europe must look overseas for its markets. In doing so it must look either to such already industrialized countries as the United States or Canada or to other countries where American products are well-established. The war and the cold war, in short, have forced European industry—this is especially true of German industry—to turn itself around. While it once faced east toward noncompetitive agricultural countries, it must now face west toward highly industrialized and therefore highly-competitive countries.

Too Many Governments

This is not Western Europe's only market problem. Not only does it face trouble in selling overseas; it also faces trouble in selling to itself. As everyone knows, Western Europe is an area of many independent governments; this common-place fact is the most distinctive feature of its organization. For a long while the existence of these many sovereignties has been a source of much fascination to specialists in foreign affairs and a source of much employment to diplomats. The coexistence of so many independent countries in such small space also facilitated the enterprises of Wilhelm II, Hitler, and the other road-company Napoleons of our century. But the economic consequences may be even more important.

Modern governments, as noted, have assumed extensive responsibility for the welfare of their people. If the means for

Europe produced more



fulfilling this responsibility are limited, they must be sure that resources which are available are properly used. Thus, they have little choice but to undertake comprehensive management of economic affairs. They have employed such old-fashioned controls as tariffs and a host of newer ones. The newer ones include exchange control, regulation of production, quotas on exports and imports, special deals with other countries to exchange unwanted products for needed ones, and comprehensive taxation and spending policies designed to promote economic stability.

European Union

The political and economic disadvantages of the division of Europe—breeding war and poverty—have not escaped notice. Movements for some form of a federation have multiplied in

recent years. Even before World War II responsible leaders like France's Aristide Briand and Edouard Herriot were advocating a European union. After the end of the war Winston Churchill added his voice to the movement, and finally the Council of Europe was established as a somewhat tentative organization of political unity, holding its first meeting at Strasbourg in August 1949.

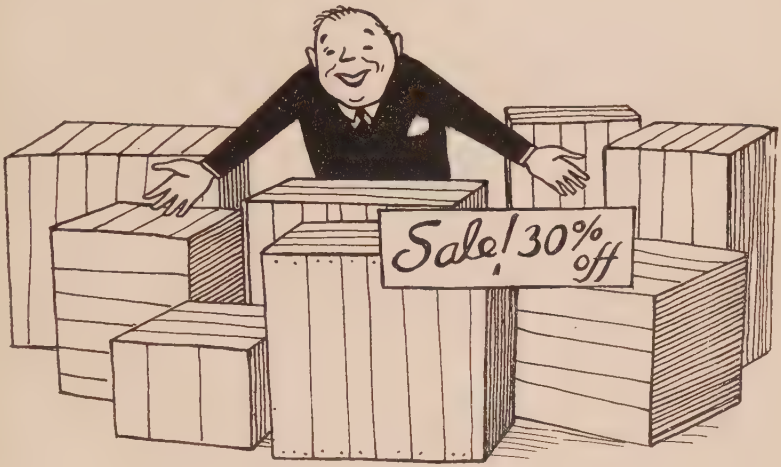
But in spite of much discussion and some effort, there is still very little coordination of the controls of different countries. Belgium, the Netherlands and Luxembourg—the Benelux countries—have made a sincere effort to establish a limited economic union. But to be effective such a union requires a substantial coordination of the measures of economic management of the three governments. Since the war the problems besetting the Netherlands government have been severe and so, accordingly, have been the measures designed to cope with them. The position of Belgium has been much easier. The progress toward the Benelux union has been repeatedly snagged by the different pressures bearing upon the two governments.

The OEEC

There have been no lack of committees for the purpose of bringing greater collaboration. The most prominent of these has been the Organization for European Economic Cooperation (OEEC) which superintends the division and administration of Marshall Plan aid. Much sincere effort has also gone into its work and many have hoped that out of such collaboration will grow a central authority which will lead eventually to a full coordination of economic policy.

Unfortunately, there is not much evidence that this is the likely course of development. There is considerable evidence that the effectiveness of the OEEC, which has been none too great in any case, has depended largely on the incentive provided by American funds. Were this withdrawn, the OEEC would not survive more

But selling was more difficult. Europe's money was cheapened to reduce prices and attract customers



than a few weeks. It would disappear because no government —certainly no important one—has surrendered any of its prerogatives and nobody without final decision-making power has any serious chance of taking over power from existing authority. No one should be very optimistic about the future of any committee for coordinating the economic management of Europe. They have their uses—apart from a certain negative value as window dressing—but committees do not grow up to be governments.

The sad fact is that Western Europe is like a corporation managed by sixteen different sets of independent officials. Each of these autonomous groups of officials is responsible to its own department. They will probably be fired if they fail in their responsibility to that department; they won't be removed if they fail to serve the interest of the company as a whole. To make matters worse, a segment of the management is under the recur-

rent temptation to solve its own problems by making those of other departments more serious. It is remarkable that such a concern survives at all; it is hardly remarkable that it operates at a deficit.

What Can Be Done?

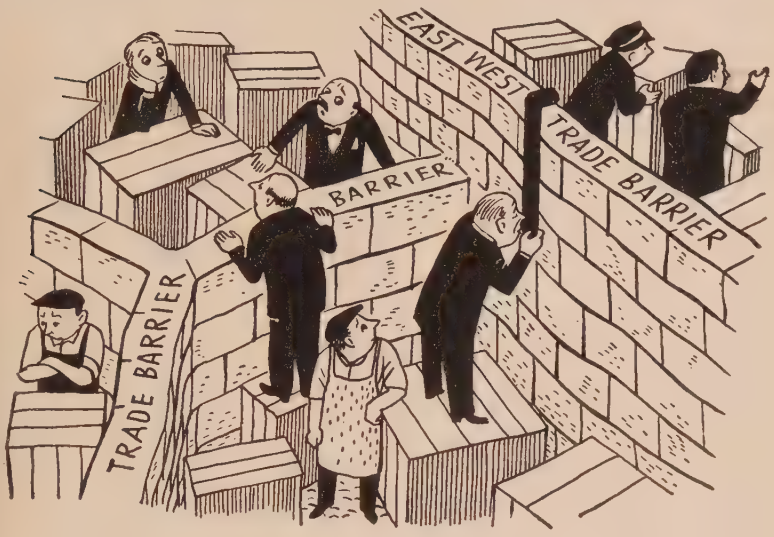
On the record, things are not yet going very well in Western Europe. The gap between imports and exports in 1949 was larger than in the previous year. It can be substantially smaller in years immediately ahead only if living standards are cut sharply. This could lead to serious discontent in a number of countries and perhaps be a threat to political stability in some. In any case, there is little hope that Western Europe can be self-sustaining by 1952, when assistance under the Marshall Plan is scheduled to end. What can be done about it?

Role of the Atlantic Pact

Before searching for remedies, it might be well to emphasize the importance of the economic problems with which this article is mostly concerned. They are not only important; they come close to being all-important. In the past year, in addition to the Marshall Plan, the United States has initiated two other lines of assistance to Western Europe. The first of these is the pledge, through the instrument of the Atlantic Pact, to come to the assistance of the other participating countries in the event they are attacked. The second, which is closely related, is the program of assistance to enable the Atlantic Pact countries to strengthen their armed forces.

Without doubt some people have looked upon these steps, not only as supplements to the Marshall Plan, but also as an insurance of the stability of Western Europe even if its economic problems are not solved. Granted that there are economic diffi-

But trade barriers continue to block exports



culties in Western Europe—the argument runs—but there are now governments with the capacity (since they are assured of our help) and the willingness to defend themselves against any threat by Russia. Also, they will have the means to put down any disorder growing out of domestic discontent.

Any such notion is wrong to the point of being dangerous; it can be taken seriously only by those who still believe in the cavalry charge. In foreign affairs it is never wise to be too certain of anything. But one can be as certain as it is ever safe to be of this fact: If Western Europe is economically weak, it cannot be defended should the need arise. And there is a reasonable possibility that if it is economically strong the need to defend it will not arise.

Soviet Tactics

Up to this point in history, the Soviet Union, the only potential threat to the security of Western Europe, has not shown

much disposition toward the old-fashioned kind of aggression in the manner of the Hohenzollerns and Hitler. Instead of setting armies in motion across frontiers, communism has expanded by extending its influence among the people within the country. This strategy has met with little success in countries where men live comfortably and in reasonable equality. In countries where the reverse is true, communism has a large and ardent following.

It is at least reasonable to suppose that a policy which, from the viewpoint of the Soviet Union, has shown promising results with little risk in the past will not be abandoned in the future. It follows that anything that reduces the number of hungry, ill-clad, or otherwise dissatisfied people in Western Europe helps blunt this weapon of Soviet policy. It follows, also, that anything that might lower the standard of living of the European masses or increase their feeling of insecurity or oppression woud stimulate the spread of communism. Accordingly, if Western Europe's economic problems are not solved, and especially should they deteriorate, the chances for Communist expansion would increase.

The proposition that only an economically strong country can be successfully defended is also subject to ready demonstration. It isn't so much that it takes economic strength to produce the arms and equipment for defense, although this is obviously important. The far more significant fact is that, in modern times at least, only people who are reasonably well off, who are free from a sense of oppression, and who have reasonable confidence in the intention of their government and of their countrymen to treat them fairly show much enthusiasm for fighting. Apart from the Germans, who have long shown a singular willingness to be killed in pursuit of questionable causes, recent history has been full of instances of the speed with which armies disintegrate when the men who are in them do not feel any great personal stake in the outcome. Helping such armies, as recent American experience in China and Greece has shown, is extremely expensive. It may obtain results the opposite of what was intended.

Suggested Steps Toward Economic Stability

ENOUGH HAS NOW BEEN said in diagnosis of Western Europe's problems. It is now time to inquire what remedies are available. Nearly all of the measures that are available for use will require combined action by the United States and the countries of Western Europe. However, there are some steps where the responsibility of Europe is paramount and some steps that can be taken only with American assistance and leadership. It will be convenient to look first at the steps which Western Europe must take in the interests of its own self-preservation and come then to the steps in which the United States can help or lead. This, rather than the relative importance of the steps, accounts for the order in which the following steps toward Western European economic stability are presented.

1. Increase Efficiency

The least dramatic but in some ways the most urgent requirement for the stability of Western Europe's economy and for improving living standards is greater efficiency in production. There is no single formula for accomplishing this. Depending on circumstances it may mean investment in more and better plant; training of more skilled, technical, and engineering personnel; the breaking of the fetters of tradition that bind production and selling methods; and, in some cases, harder work. It is much easier to say what is needed than to give a bill of particulars, and it is even more difficult to make the changes that bring the necessary results.

The economic life of any old country includes habits of thought and action which are difficult to break. Pleas to workers to accept new methods or to work harder run into the unhappy

circumstances that these pleas have been made many times before and sometimes only to increase the profits of an employer. Conservatives too frequently assume that increasing efficiency means, mostly, the repeal of social services or the abandonment of public policies which the worker regards as part of his insurance against high prices or unemployment. But difficult or not, increased efficiency, which means getting more production for less labor and resources, is vitally important for Western Europe.

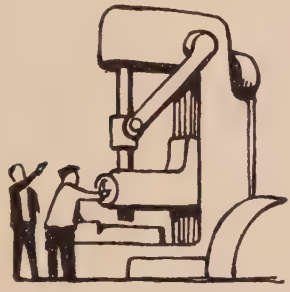
2. Improve Management

Perhaps the most important way of raising the efficiency of the Western European community as a whole is to improve its management. If it is assumed, as it probably must be, that governments are going to continue to concern themselves extensively with economic affairs, then some way must be found to coordinate this management and to coordinate it effectively. For the moment Europe does not lack machinery for this purpose; there is a good deal of apparatus for collaboration. Unfortunately most of it is just apparatus. Individual governments retain full freedom of action and to a large measure exercise it. They will continue to do so until there is some European body strong enough to assume the responsibilities they surrender. In other words, effective economic collaboration in Western Europe means some reasonably effective central administration of economic policy.

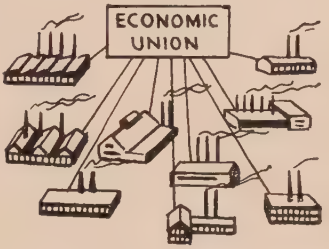
There are few people either in the United States or Western Europe who question the need for a far stronger coordination of European economic management. In England there has been some reluctance to subordinate British economic administration, as well as British overseas interests, to the policy-making of a European federation. In America there has been doubt, some of it inspired by British qualms, as to how strongly the project of European economic union, federation or, to use the most recent term, "integration" should be pressed. There has been some

WHAT EUROPEANS CAN DO

1. Improve efficiency in production



2. Coordinate economic management



3. Try to increase trade between West and East

4. Improve selling techniques

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fear that any such project is so difficult as to imply that the advocate of such action was naive.

However, the debate on European economic union has been mostly on *how* and *how soon*. While there is much to be said for a temperate pace, gradualism with progress is one thing and delay is another. It is hard to see how economic unification is made easier by delay unless, indeed, this means it will be postponed until forced by disaster. At the same time, it must be recognized that a full coordination of the economic management of Western Europe cannot be achieved all at once. It must be approached in stages. Before unification has any chance, there must be an alignment of domestic fiscal policies and of other internal economic policies. And the development of central economic management must be accompanied by the development of a political structure to administer it.

The compulsion that the United States has exercised in advancing this project during the Marshall Plan years has had one great weakness. There have been too many pleas for the end-product, the goal of unification, and far too little attention to the precise steps by which Western Europe approaches the goal. The time has come when an agreement should be sought on the specific steps leading to unification and on a timetable for performance. It is to the development of such an agreed schedule of performance that the United States policy should now be directed.

3. Facilitate East-West Trade

To the greatest extent possible the avenues of trade must be kept open between Eastern and Western Europe. This is a matter on which United States policy can also be a great deal more constructive than it has been. In general Western European countries have looked with more favor on this exchange than has the United States. In licensing exports to Eastern European countries, and in its attitude toward such exports by the Marshall

Plan countries, the United States has shown an excessive fear of building up the military potential of Eastern Europe. There is no evidence that this danger has been carefully balanced against the cost to Western Europe of the curtailment of this trade and the weakness of its position as the result of such a loss.

4. More Effective Marketing

Western European countries have still to accommodate their export selling methods to their new dependence on markets in the Western Hemisphere. In particular this means they must partly match the virtuosity of the American as a salesman—the latter may not be his most admirable skill but it is certainly one of his most highly developed. Even when competing on terms of equal cost, European products have often suffered in the face of American salesmanship.

5. We Are With Western Europe to Stay

The most general responsibility of the United States is to agree that Western Europe's economic troubles cannot be ended in accordance with a timetable. (Timetables have their place but they should govern actions—such as steps toward economic unification—not results.) It is rather silly to assume that if Western Europe is not self-supporting in 1952 at an adequate level of economic activity, then we will wash our hands of the whole business. If it was important to help Europe along toward recovery in 1948, it will be just as important to help it remain prosperous in 1953.

If the alternative to American assistance in that year is an economic crisis which will mean the undermining of moderate governments, the spread of discontent, and an increased threat of communism, it is hard to see how these will be more welcome at that time than now. In fact there is no foreseeable date when all the economic problems of Western Europe will be tidied up.

That being the case, there is no date when we can suppose our European responsibilities will be at an end.

6. Plan Now For Period Beyond ECA

The foregoing does not mean that the Marshall Plan should be extended. Nor does it mean that we should get busy and invent some new name for loans and gifts that will be attractive to the American people. It means that we should expect to do what the situation requires—that our economic policy should remain sufficiently flexible to take care of whatever contingencies arise. Western European countries need to be assured that so long as they are devoting their own best efforts in the directions which we have just outlined they will be able to count on American support.

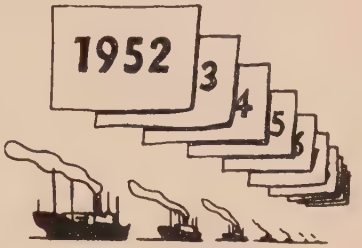
Such an assurance is necessary if the final years of the Marshall Plan are not to be marred by a frantic struggle by each government to protect itself against the day when dollar supplies will be curtailed. Already governments are taking some steps to prepare for this day. Nearly every country in Western Europe is now trying to build up its home production of breadgrains and feeds as an insurance against hunger after 1952. It is a step for which they can scarcely be blamed; to some extent they are taking it with American aid and encouragement.

Much of this expanded production is at high cost—in the case of wheat at several times the outlay in labor and physical resources apart from land that is required to produce the same quantity on the Great Plains or the Canadian prairie. Costly food means costly industrial production; it cannot be reconciled with the need for greater efficiency. At the same time these steps may leave the Western Hemisphere with a surplus of efficiently produced grain which, as our experience with farm legislation amply shows, can be dealt with only at considerable expense. The UN Economic Commission for Europe recently summarized the trend of policy as follows:

WHAT WE CAN DO

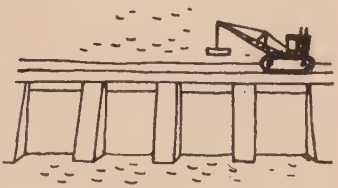
5. Realize that not all of Europe's problems will be solved by 1952

6. Maintain flexible economic program



7. Reduce our tariff even more

8. Develop foreign investments both in Europe and elsewhere



9. Plan export of surplus farm products to Europe

10. Keep high level of national income

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> The United States is . . . in the strange position of financing a programme which is directed largely towards the reduction of its own exports. It faces the anomalous prospect that, by the end of the programme, it will have surpluses and excess production capacity in commodities for which it has helped (directly or indirectly) to develop substitute sources of supply elsewhere; its own exports to Europe will be reduced below the depression-shrunk volume of 1938; and Europe nevertheless will still be short of dollars to cover imports from the United States.

Here is what is already happening. If we allow ourselves to approach the end of the Marshall aid without some plan for the period beyond, we can be certain that European countries will make even more strenuous efforts to protect themselves. One can foresee a frantic struggle for self-sufficiency as this judgment day approaches. Each country will struggle for self-preservation, if necessary at the expense of its neighbors. In such a struggle obviously none can win.

7. Again the American Tariff

There are a number of rather specific ways in which the United States needs to assist. One of these concerns a subject that is decidedly lacking in novelty, the quaint old matter of the tariff. As nearly everyone knows, the United States is no longer a high tariff country. Since 1934, and especially since the war, we have made extensive use of the Trade Agreements Act in bargaining down our own and other tariffs. Unhappily for everyone's peace of mind, circumstances now require that the United States have a uniquely low tariff. And in spite of the reductions that have been effected, our tariff is still a barrier to many manufactured goods and a strong one where the supplier is already in a weak competitive position. The administration of the United States customs is also a source of expense and delay to the foreigner seeking to sell in this market.

The time may not be far distant when we shall have to abandon reciprocal reductions and make unilateral reductions in our tariff. This is the logical course in a world where the problem of other countries is not an unwillingness to buy American goods but the need for more goods than they can afford. It is not an easy course, but not many steps connected with European recovery are easy, and those that are easy are the ones that have already been taken.

8. Increase Overseas Investment

A further contribution can be made by the United States in the form of exports of capital and technical aid. The importance of private capital exports as a way of supplying dollars directly to Europe or indirectly through investment in less developed countries has come to be well recognized. Indeed there is some danger that as a formula for taking care of everything after the Marshall Plan comes to an end, it will be too fashionable.

In the field of private capital exports it should be recognized that the United States has no established tradition which would lead one to expect large and continuous overseas investment of the kind needed. Apart from one brief and rather unhappy experience in the late 20's, nearly all of our foreign investment has been to develop raw materials primarily for the American market (in 1948 about two-thirds of all foreign investment by Americans was in oil development) or to develop outlets for American manufactured products. By contrast, the British, in the nineteenth century, built railroads and other capital plant in and for the receiving country. Such investment is needed today. But as it is something new for American investors, it is idle to think that such a capital outflow could appear in volume at an early date. In the meantime reliance will have to be placed on government-sponsored lending.

9. Send Surplus Farm Products Abroad

It might also be part of the program that the United States and Canada place some of their surplus farm products at the disposal of European countries. Surplus foods and fibers can be supplied to people who need them almost as cheaply as their production can be controlled. If a frantic struggle by Europe for self-sufficiency is to be forestalled, then there must be assurances —as firm and as durable assurances as possible—that American cereals and cotton will continue to be available and on terms that European countries can meet. In the latter part of 1949 a proposal—for an International Commodity Clearing House—to accomplish this was placed before the Conference of the United Nations Food and Agriculture Organization.

The alternative to some such step is an aggravated problem in crop curtailment here and a continuation of the paradoxical policy of helping European countries become independent of far more efficiently produced products from this hemisphere.

10. Maintain Full Employment at Home

Finally there is one step of great importance which, at first glance at least, appears to be purely the domestic concern of the United States. That is the maintenance of a high and rising level of income and employment within the United States. Americans have their own reasons for wanting such a policy to succeed. But the interest of other countries in its success is hardly less great.

The volume of goods which the United States buys from the rest of the world, the prices at which it buys them, and the number of dollars other countries are accordingly able to earn and which they have to use, increase and decrease with the level of economic activity in the United States. Even the slight recession

in business activity in 1949 had a serious effect in reducing the direct sales of Western European countries in the United States, as well as the returns from exports of rubber, ore, and other products from Europe's dependent areas. The consequences for the world of a really serious depression in the United States would be most unpleasant to contemplate.

In Conclusion

These steps—that there happen to be ten was an accident and not the result of any plan for a neat round number—suggest that there is still much unfinished business in the relations of the United States to Western Europe. Probably there always will be. There are roughly two kinds of tasks in the world. There are those like building a house, draining a swamp, or taking out an appendix which, once done, are done for good. There are those like weeding a garden, mowing a lawn, cleaning a house, or becoming beautiful which require everlasting effort. We have tended to think of our European economic policy as belonging to the first order of work; in reality it belongs to the second.

While the task promises to be an enduring one, it has its pleasant features. The fact that economic measures occupy such a prominent place in our policy is fortunate. Properly handled it is rewarding in friendship. It is also far cheaper than military assistance, and it economizes on military expenditures at home. We need only to reflect on the military budgets we might now be voting had it not been for the comparatively modest expenditures of the first two years of the Marshall Plan.

It is especially important in this connection that the popular attack on economic defense—that it commits the United States to the role of a Santa Claus—be properly discounted. Even the

activities of Santa Claus, although they have come to be considered evil and subversive in many quarters, are sometimes to be preferred to empty stockings. The opponents of Santa Claus, or rather of discriminating farsighted generosity, are sometimes those who do not blink at spending several times as much, for several times less results, on armaments.

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FOREIGN POLICY ASSOCIATION

The issue for May

France: Setting or Rising Star?

Saul K. Padover

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